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SNOW BOASTS SPRING HAS SPRUNG FOR US  
ECONOMY

(By Anatole Kaletsky)

This July, when I first interviewed John Snow in London, the world economy was just beginning to emerge from the trauma of the Iraq war but the US Treasury Secretary was in ebullient form. The US economy, he insisted, was on the verge of a spectacular recovery from the three-year malaise that began with the collapse of technology stocks on Wall Street and was aggravated by the horror of September 11.

The American economy, he maintained, was "coiled like a spring and ready to go".

This remark was widely quoted in the media and greeted with skepticism, bordering on derision. Three months later, as I met Mr. Snow again in his Washington office, he was entitled to gloat.

"The spring has now sprung," he declared as our conversation started. "I am confident that this economic recovery will now be sustained and will produce loads of new jobs. Everything we know about economics indicates that the sort of economic growth expected for next year, 3.8 to 4 per cent, will translate into two million new jobs from the third quarter of this year to the third quarter of next year. That's an average of about 200,000 new jobs a month."

With a US election approaching, the figures he mentioned were significant in political as well as economic terms. Two million is the number of jobs the Bush Administration is accused of "destroying" since it took over the White House and the rule of thumb among US economists is that 200,000 new jobs a month are needed for the unemployment rate to show a sustained decline.

"What gives me confidence? Everything we know about economics and history."

"Consumption and housing remain strong. Now capital spending is clearly coming back and inventories are at astonishingly low levels. Jobs are always a lagging indicator which follows economic growth. I would stake my reputation on employment growth happening before Christmas. I'd bet dollars to doughnuts that we are going to see a pick-up in employment in 2004."

But surely there is a serious qualification to this optimism? If economic growth does take off as suggested, then surely interest rates will start to rise?

Recent statistics on consumption and industrial production suggest that the US economy grew by 7 percent in the third quarter. In such an environment, the Federal Reserve might well consider raising interest rates. On Wall Street, however, the futures markets imply that interest rates will rise by no more than one quarter or half a percent before the summer and several leading banks expect no tightening at all until 2005. Surely, markets may be in for a nasty surprise? Mr. Snow seemed totally unperturbed. "Economic growth is a process of constant adjustments. If you've got productivity running at very high levels, you will get higher real wages and profits. Rates of return are up and as long as the expected return on capital is higher than the cost of capital, businesses will expand and the adjustment process kicks in."

"The price of capital is interest rates and there is going to be a need for a capital rationing process. Higher interest rates are an indicia of a strengthening economy. I'd be frustrated and concerned if there were not some upward movement in rates."

But what about politics? Next year will see a fiercely contested presidential election. Wouldn't an increase in interest rates at such a time interfere with the political process?

Mr. Snow was completely dismissive of this argument. It may be an article of faith on Wall Street that the Fed tries to avoid raising interest rates before elections, but this is factually untrue. The idea that the Fed doesn't move in election years is just "an amazing sort of mythology", Mr. Snow insists. After our interview, I check the historical record and discover that he is right. The Fed has raised interest rates sharply in three out of the past five election years, most recently in 2000. Moreover, while Wall Street mythology contends that the Fed lost President Bush's father the 1992 election, the record shows the opposite. The Fed cut interest rates by 2 percentage points in 1992. In the 1988 polls, by contrast, interest rates were lifted from 6.5 to 8.5 per cent, yet that was the election won by the first President Bush.

Turning to questions on the dollar, Mr. Snow indicated that the US policy had been misunderstood by many commentators, though not by the markets themselves. The dollar has fallen sharply in the four weeks since a statement issued in Dubai by G7 ministers, which called for "greater flexibility" in exchange rates. Mr. Snow had hailed this statement as "a milestone" and this comment was widely interpreted as a hint the US wanted to see the dollar decline. Mr. Snow insisted, however, that the real milestone he referred to was the commitment of all the G7 countries to pursue policies to stimulate domestically led growth.

The US had never intended to talk the dollar down. Although Mr. Snow did not express any views on individual exchange rates, another senior Treasury official noted that the comments in Dubai were directed solely at countries that attempted to manage or control their currencies, not at market-based exchange rates such as the dollar-euro rate.

The US was not trying to persuade China to float its exchange rate in the short term, but rather to make the financial changes needed for a market-driven currency to be set one day. Moving to a floating rate would be "ill-advised" before the financial reforms were in place. "They are not going to get there overnight and we recognise that," he said. In Japan, too, Mr. Snow welcomed the economic reforms undertaken by Junichiro Koizumi, the Prime Minister. He refused to be drawn on whether he was satisfied with the strengthening of the yen since Dubai.

But another Treasury official noted that Japan had reduced the scale of its currency intervention and no longer seemed to be defending arbitrary exchange-rate levels, as it had been before Dubai.

#### UNIVERSAL HEALTH CARE

The SPEAKER pro tempore (Mrs. BLACKBURN). Under a previous order of the House, the gentleman from Washington (Mr. MCDERMOTT) is recognized for 5 minutes.

Mr. MCDERMOTT. Madam Speaker, I want to reassure my colleague from Massachusetts that there is hope after all. The Bush administration has endorsed and even funded universal health insurance. The thing is, the President's universal health insurance program is for the people of Iraq, not anything for the 44 million Americans.

Madam Speaker, we already pay enough for universal health care in this country, but we are not getting it. The administration misleads the American people by having the Secretary of Health and Human Services say, and I quote, "You are still taken care of in

America. That certainly could be defined as universal coverage." The truth is that every other industrialized nation in the world has a universal health system except the United States. Half the bankruptcies in this country are due to health care costs.

The United States spent \$1.6 trillion on health care in 2003. That is an average of \$4,900 per person for the entire country. The average of the next 29 industrialized countries is less than half that amount, about \$2,100 per person. Switzerland, at number two, spends \$3,106. That is \$1,800 less per year per person than the United States. Every one of these countries has universal health insurance except us.

We have 44 million uninsured and 40 million underinsured, and premiums are going up. At the same time, employers are shifting more of their health care costs on to their employees. Every strike has as the number one issue of contention their health care benefits. They just settled a grocery strike in California that has been going on for 6 months and it was all about that.

Seventy-two percent of the uninsured are in families where there is a full-time worker. Sixteen percent have two full-time workers. Only 62 percent of all employers even offer health insurance, and only 60 percent of employees can take advantage of it. How bad does it have to get before we begin to do what is necessary?

Not many years ago opponents and an army of lobbyists turned back the last great hope for real reform. We were told managed care in the marketplace would save the health care system. It never happened. All through the 1990s when the economy was hot, the number of Americans without health insurance went up. When the economy tanked under President Bush, the number of Americans without health care kept going down. How bad does it have to get?

A long time ago we made some decisions in this country: Police, fire protection, national defense, education, and highways would be issues of the common good. We would do them together. It is time for health care to be done as a common good. We have the power and ability to take care of everyone, from patient to physician to provider.

National health care does not mean government medicine.

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It means a guaranteed revenue stream to give a stable set of benefits for everyone that cannot be taken away.

At the present time, government at all levels already finances 60 percent of all the health care spending in this country. That is over \$2,600 per person. Remember, the international average is \$2,100 per person so we are already spending enough. If we were tightfisted, we could have that kind of a system.

The fact is that we simply do not have the political will to establish the common good. If our costs were in line with other industrialized nations who have a national health care system, government spending in this country alone would cover our costs. I can hear the chorus already. Do not let anyone tell you that health care in England or Germany or Sweden or Norway or France or Japan is not as good as ours. Ours is good if you are lucky with the right piece of plastic in your pocket when you get sick. But if you do not have insurance, it is a real crapshoot. It is a real roll of the dice.

Americans deserve universal health care, just like everybody else from the industrialized nations, all of the way to Iraq. Yes, most people would actually save money, according to the Congressional Budget Office, because if we tightened up the system and got rid of the millions of forms, the hundred billion dollars' worth of paper that we put in every year, we would have a cheaper system than we presently do with guaranteed benefits and guaranteed revenue.

The President has said, "These problems will not be solved with a nationalized health care system that dictates coverage and rations care." He said it right here in the well. Every health insurer in the United States dictates coverage. That is how they do business, and America is rationing care. The time has come to change that. We will talk more about that later.

We need a solution.

I have introduced H.R. 1200, the American Health Security Act. I also support other plans to reform our health care system.

Reform will not change how health care is delivered, only how it's paid for.

Health care providers will continue to do business as they already do, competing with one another, striving to be the best.

Under my plan people can choose their doctor and hospital, an incentive for innovation and a reward for excellence.

For health care providers, national health insurance means a guaranteed revenue stream.

For Americans, national health insurance means coverage for everyone.

America was founded on the premise of working together for the common good. Our society recognizes this responsibility every time a fire truck responds to a fire or a police car responds to a call for help.

Today, there is an urgent call for help from voices across America.

We have it in our power to respond. Come on Mr. President. We are already paying for universal health care. Let us make sure Americans get it.

#### WAR ON TERRORISM

The SPEAKER pro tempore (Mr. GINGREY). Under the Speaker's announced policy of January 7, 2003, the gentleman from Michigan (Mr. HOEKSTRA) is recognized for 60 minutes as the designee of the majority leader.

Mr. HOEKSTRA. Mr. Speaker, today I want to spend a little bit of time talking about the war on terrorism,

and I believe it is a war, tracing the history of the previous administrations and the Bush administration in recognizing the threat that al Qaeda, Iraq, and others pose to the United States as evidenced most dramatically on the events of September 11, 2001.

Back in February 1998, then-President Clinton talked about the threat of Iraq: "They have harassed the inspectors, lied to them, disabled monitoring cameras, literally spirited evidence out of the back doors."

Another quote: "They," predators of the 21st century, "will be all the more lethal if we allow them to build arsenals of nuclear, chemical and biological weapons, and the missiles to deliver them. We simply cannot allow that to happen. There should be no doubt, Saddam's ability to produce and deliver weapons of mass destruction poses a grave threat to the peace of that region and the security of the world. There is no more clear example of this threat than Saddam Hussein's Iraq. His regime threatens the safety of the people, the stability of his region, and the security of all the rest of us. In the next century, the community of nations may see more and more of the very kind of threat Iraq poses, a rogue state with weapons of mass destruction, ready to use them, to provide them to terrorists who travel the world. If we fail to respond today, Saddam Hussein will be emboldened tomorrow by the knowledge that they can act with impunity."

Another quote from President Clinton in 1998: "I have no doubt he would use them again if permitted to develop them."

So back in 1998, President Clinton was highlighting the threat as he saw it, in this case talking about Iraq specifically, but also laying out the possibility of what might happen in the future. Again the quote: "A rogue state with weapons of mass destruction, ready to use them or provide them to terrorists."

On September 11, 2001, we found out in the United States about the willingness of terrorist organizations to use airplanes as a weapon of mass destruction and to inflict death and destruction to an extent we had never seen before.

Another quote, and this is from President Clinton, I believe: "Some day, some way, I guarantee you he will use the arsenal; and I think everyone of you who has worked on this for any length of time believes that, too." Again, not President Bush in 2001, 2002 or 2003, but a consistent message beginning in the late 1990s from President Clinton and his administration outlining the threat of Iraq; and, more importantly, the threat of a linkage of the capabilities that Iraq might have and their willingness to give those capabilities and share them with terrorist organizations.

Again, the same speech: "Saddam Hussein's Iraq reminds us of what we learned in the 20th century and warns

us what we must know about the 21st century. In this century, we learned through harsh experience that the only answer to aggression and illegal behavior is firmness, determination and, when necessary, action. In the next century, the community of nations may see more and more the very kind of threat Iraq poses now, a rogue state with weapons of mass destruction ready to use them or provide them to terrorists, drug traffickers or organized criminals who travel the world among us unnoticed."

Through the window of 9/11, we can see how prophetic President Clinton was in 1998. Let me read that again: "In this century, we learned through harsh experience that the only answer to aggression and illegal behavior is firmness, determination and, when necessary, action. In the next century, the community of nations may see more and more the very kind of threat Iraq poses now," or paraphrasing, that I believe terrorist organizations will pose in the 21st century.

December 17, 1998, President Clinton said: "I am convinced that the decision I made to order this military action, though difficult, was absolutely the right thing to do. It is in our interest and in the interest of the people around the world. Saddam Hussein has used weapons of mass destruction and ballistic missiles before. I have no doubt he would use them again if permitted to develop them."

So back in the 1990s, the late 1990s, President Clinton was highlighting the threat of Iraq and also outlining the threats of terrorist organizations in the 21st century.

Another quote, and this is from the White House, a White House briefing. It is a speech by Senator Al Gore. This is way back in 1992. So even in the early 1990s, key officials in what would become the Clinton administration had identified the challenges that we would face as a Nation in the 21st century. Here is what Senator Al Gore said: "He had already launched poison gas attacks repeatedly," and this is what he says about the President at that time, "and Bush looked the other way. He had already conducted extensive terrorist activities, and Bush looked the other way. He was already deeply involved in the effort to acquire nuclear weapons and other weapons of mass destruction, and Bush knew it, but he looked the other way."

Then Senator Al Gore in 1992 said: "Well, in my view, the Bush administration was acting in a manner directly opposite to what you would expect. With all of the evidence that it had available to it at the time, Saddam Hussein's nature and intentions were perfectly visible."

In other remarks made by Vice President Al Gore, May 23, 2000, talking about the threat of Saddam Hussein: "Despite our swift victory in every sense, there is no doubt in my mind that Saddam Hussein still seeks to amass weapons of mass destruction."